

**CALIFORNIA ENERGY COMMISSION**

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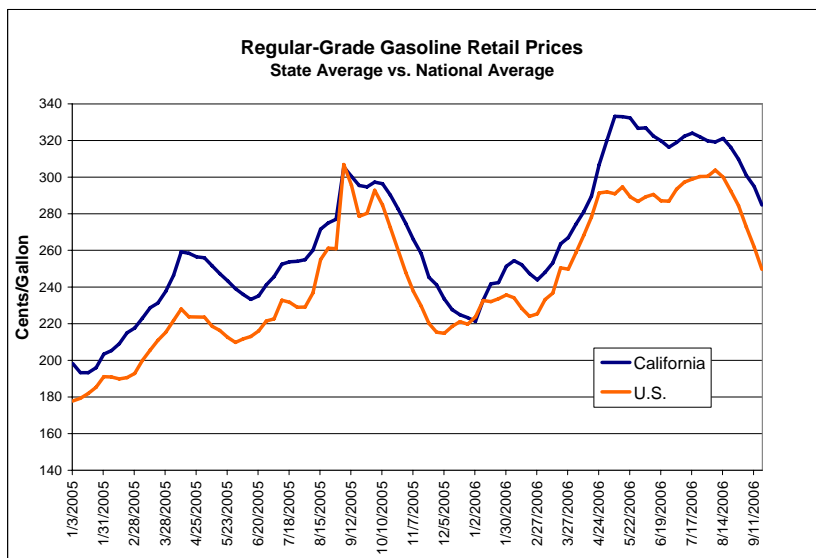
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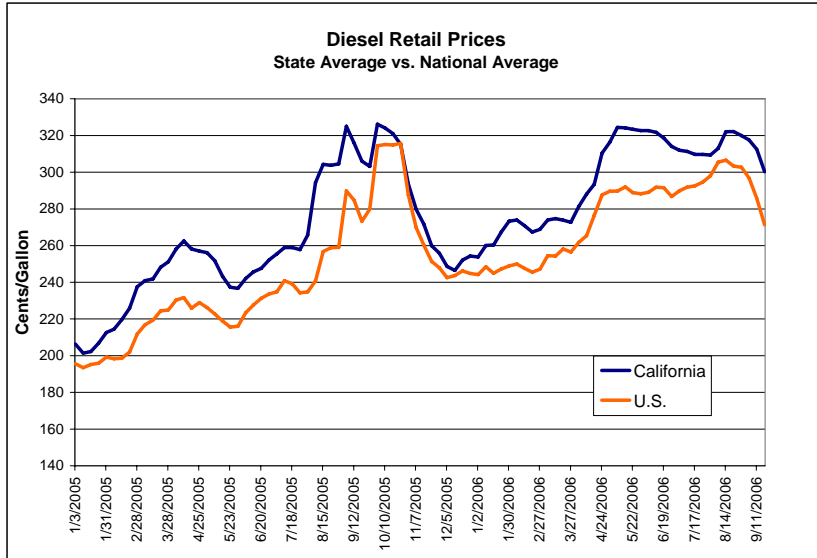
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**Petroleum Watch****September 22, 2006*****Retail Gasoline and Diesel Prices on September 18***

- For the fifth consecutive week, California gasoline prices have fallen. The average statewide **retail price for regular-grade gasoline** dropped 10 cents to \$2.85 per gallon, 48 cents less than the record high of \$3.33 on May 8.<sup>i</sup>
- The difference between California and U.S. retail gasoline prices increased to 35 cents per gallon since last week as U.S. prices dropped to \$2.50 per gallon, 12 cents less than last week and an uninterrupted decline of 54 cents since August 7.



- The average California **retail diesel price** fell by 12 cents from the previous week to \$3.00 per gallon. At the same time, the U.S. retail diesel price fell to \$2.71 per gallon, increasing the difference between California and U.S. prices to 29 cents per gallon.

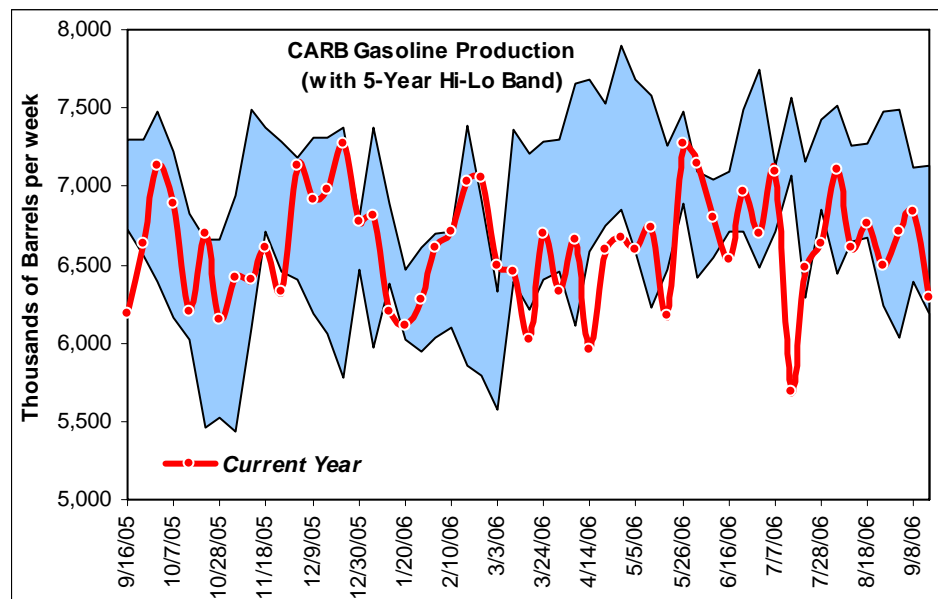


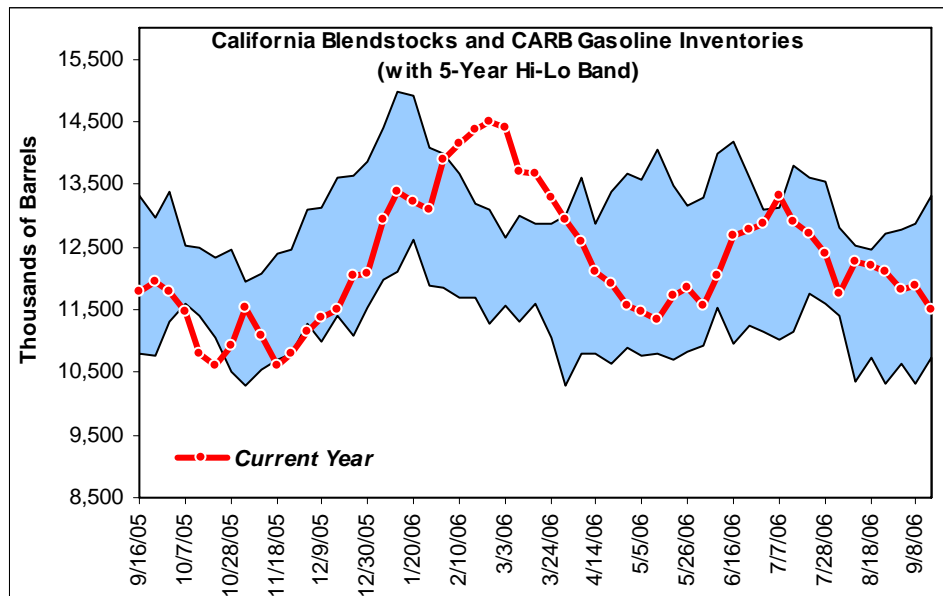
### ***Wholesale Gasoline and Diesel Prices on September 19***

- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) dropped over the last week to \$1.74, the lowest price since February 27. Prices are now \$1.23 lower than the record high of \$2.97 on May 2 and only 18 cents more than the 2006 low of \$1.56 on February 14.
- The continued decline of crude oil and natural gas prices and higher U.S. inventories of gasoline and diesel are bringing fuel prices down in California and nationally.
- Spot prices for RBOB in Los Angeles are 25 cents higher than New York Harbor and 18 cents more than the Gulf Coast.
- California spot **wholesale low-sulfur diesel prices** ended at \$1.83 per gallon this week, 22 cents less than on September 12 and 85 cents lower than the record high of \$2.68 on May 3.
- California wholesale low-sulfur diesel prices are 14 cents higher than at both New York Harbor and the Gulf Coast, compared to 29 cents and 37 cents more, respectively, on September 12.
- California gasoline ended the reporting week 10 cents less than California diesel, compared to 26 cents less on September 12.
- The Energy Information Administration (EIA) weekly assessment for September 15 reports that **U.S. gasoline demand** fell 1.5 percent from the previous week, while distillate demand increased 2.1 percent. The four-week average demand for gasoline is 9.46 million barrels per day, 5.4 percent more than last year's four-week average. The four-week average for U.S. distillate demand is 4.15 million barrels per day, 4.8 percent more than last year. However, last year's U.S. fuel demand levels were unusually low because of the impacts of Hurricane Katrina.

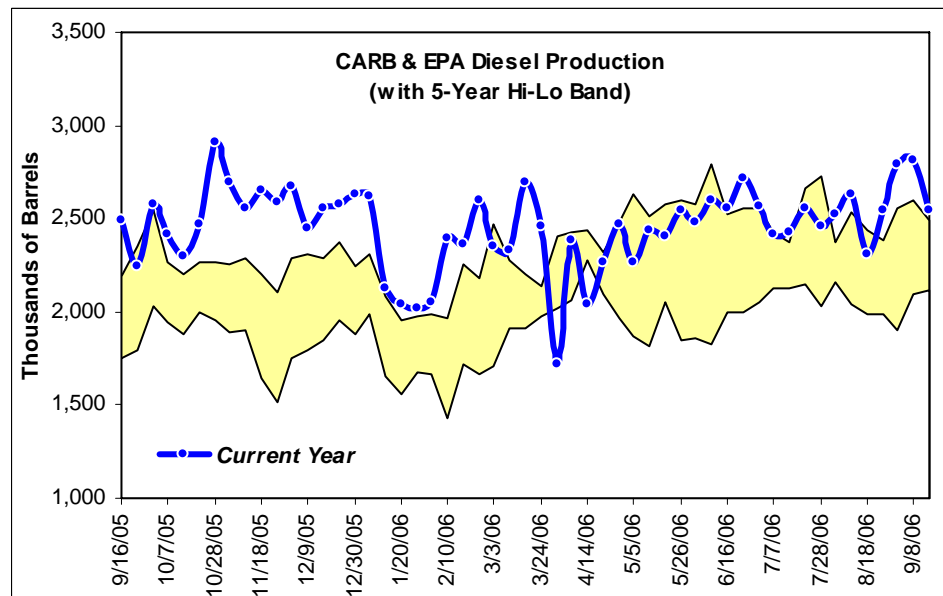
### ***Refinery Production and Inventories***

- **Reformulated gasoline production** in California for the week ending September 15 decreased 8.2 percent from the previous week to 6.28 million barrels due to unplanned refinery outages and planned maintenance. Production levels declined toward the lower end of the five-year range.<sup>ii</sup>
- California reformulated gasoline inventories declined by 4.8 percent while gasoline blendstock inventories fell by 1.9 percent during the last week. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **decreased by 3.1 percent** to 11.5 million barrels and stayed near the middle of the five-year range.
- U.S. gasoline inventories increased 560,000 barrels to 207.6 million barrels as of September 15. Stocks rose in the mid-continent regions, but fell in both the Northeast and West Coast.

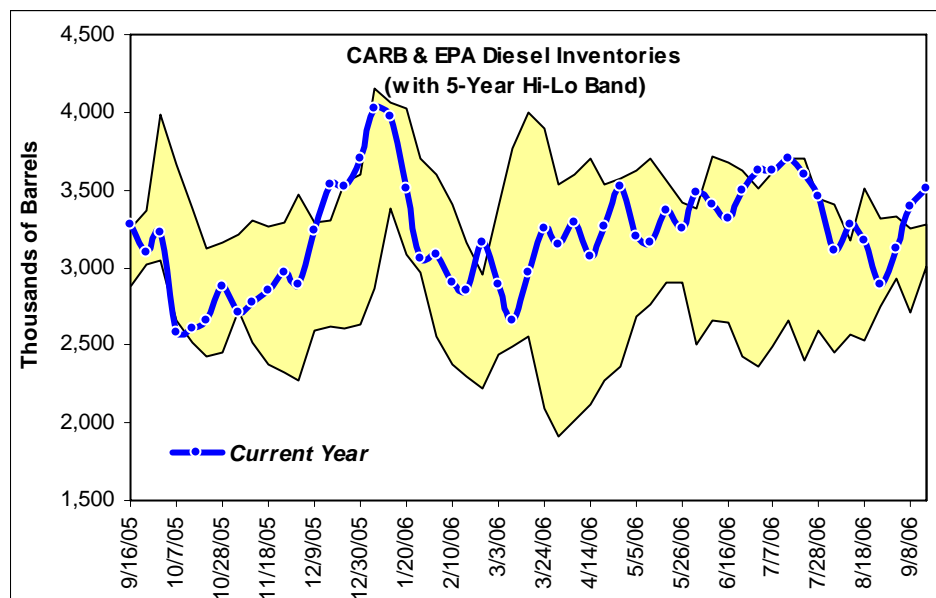




- California low-sulfur **diesel production** during the week ending September 15, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, decreased by 9.5 percent from the previous week to 2.55 million barrels. However, output is still 2.2 percent higher than year-ago levels and remains above the five-year range.

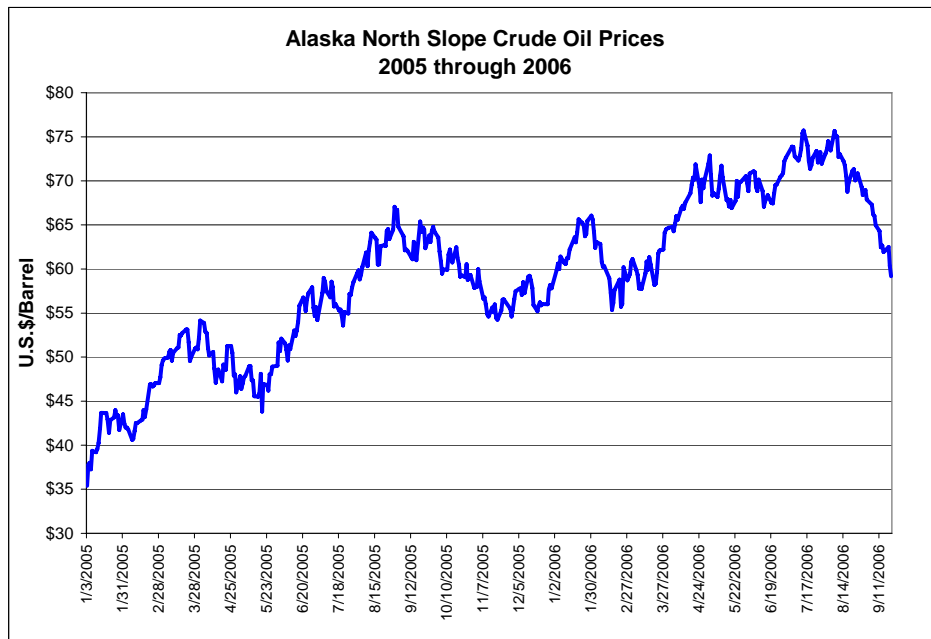


- Combined low-sulfur **diesel inventories** in California grew 3.4 percent from the previous week to 3.51 million barrels, staying well above the five-year range. Total U.S. distillate inventories as of September 15 jumped sharply to 148.7 million barrels, 4.1 million barrels more than the previous week and a 30 percent increase since April 28. All areas of the United States except the Mountain region reported significant distillate stock increases.



### **Crude Oil Prices and Inventories**

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, fell below \$60 per barrel this week for the first time since March. Prices continued declining as the strike by oil workers in Nigeria was called off shortly after it started, the dispute over Iran's uranium enrichment program cooled somewhat, and OPEC announced at its recent ministers' meeting that it would not cut oil production, despite its forecast of a reduced need for OPEC oil during the final quarter of 2007. Suicide attacks by militants targeted a refinery and an oil exporting station in Yemen but were deterred with very little damage to the facilities. Oil and natural gas production in the Gulf of Mexico continues to be unaffected by any hurricanes or tropical storms so far this season. BP has also applied to the U.S. Department of Transportation for permission to reopen their shutdown eastern line at Prudhoe Bay to test pipelines for corrosion. They have already received permission from the first of several agencies to operate a bypass line around the affected sections. Production currently is up to about 250,000 barrels per day out of 400,000 before the shutdown, leading to an unexpected surplus of oil shipments to the West Coast from alternative sources.<sup>iii</sup> ANS prices fell to \$59.16 per barrel as of September 20, \$16.57 less than the record high of \$75.73 on July 14.<sup>iv</sup>



- U.S. commercial crude oil inventories as of September 15 fell 2.8 million barrels to 324.9 million barrels due to high refinery crude oil runs. Stocks are still 16.8 million barrels higher than last year and 35.4 million higher than the five-year average. California crude oil stocks grew 1 percent from the previous week to 15.65 million barrels.

<sup>i</sup> Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

<sup>ii</sup> California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

<sup>iii</sup> Further information on the BP Prudhoe Bay crude oil production curtailment can be found at: <http://www.energy.ca.gov/2006publications/CEC-999-2006-014/CEC-999-2006-014.PDF>.

<sup>iv</sup> ANS crude oil prices are from *The Wall Street Journal*.